

## Message Text

PAGE 01 TOKYO 03459 01 OF 02 240621 Z

15

ACTION AEC-11

INFO OCT-01 EA-11 ADP-00 RSR-01 ACDA-19 CIAE-00 INR-09

IO-12 L-03 NSAE-00 NSC-10 OST-04 RSC-01 SCI-06 GAC-01

COME-00 EB-11 LAB-06 SIL-01 NAS-01 OMB-01 TRSE-00

/109 W

----- 010016

R 231015 Z MAR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2564

LIMITED OFICIAL USE SECTION 1 OF 2 TOKYO 3459/1

DEPARTMENT PASS AEC AND NATIONAL ACADEMY OF SCIENCES

E. O. 11652: NA

TAGS: TECH, TBIO, PFOR, JA

SUBJ: CURTAILMENT OF JAPANESE TAX EMEMPTION STATUS OF ABCC

REFS: ( A) TOKYO A-85 ( B) STATE 44010

SUMMARY: EMBASSY BELIEVES COURSE OF ACTION SET FORTH REF B IS NOT VIABLE OPTION, PRIMARILY BECAUSE GOJ HAS LEGAL RIGHT TO TERMINATE UNILATERALLY TAX EXEMPTIONS CURRENTLY ENJOYED BY ABCC. EMBASSY FURTHER BELIEVES US SHOULD COOPERATE WITH GOJ DESIRES ON LEGAL STATUS OF ABCC IF US IS TO GAIN SIGNIFICANT GOJ FINANCIAL SUPPORT TO ENSURE LONG TERM SURVIVAL OF ABCC. END SUMMARY

1. DEPARTMENT AND AEC APPEAR TO HAVE MISCONSTRUED SITUATION SURROUNDING FUTURE STATUS OF ABCC AND PROSPECTS FOR INDUCING GOJ TO UNDERTAKE SIGNIFICANT FINANCIAL SUPPORT OF ABCC. IN MANY RESPECTS THESE ARE SEPARATE QUESTIONS. REF B ASSUMES THAT US CAN REFUSE ANY CHANGE IN ABCC LEGAL STATUS UNTIL SATISFACTION IS RECEIVED ON MATTER OF GOJ FINANCIAL ASSISTANCE. FACT IS, HOWEVER, THAT GOJ HAS LEGAL RIGHT TO TERMINATE UNILATERALLY TAX EXEMPTIONS CURRENTLY ENJOYED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TOKYO 03459 01 OF 02 240621 Z

BY ABCC. MOREOVER, EVEN IF US ATTEMPTED TO RESIST CHANGE IN ABCC STATUS PENDING GOJ COMMITMENT FOR FINANCIAL

SUPPORT, EMBASSY SERIOUSLY DOUBTS SUCH TACTIC WOULD HAVE DESIRED RESULT. IN EXPLAINING THESE ASSERTAIONS, THIS TELEGRAM ALSO RESPONDS TO POINTS CONTAINED REF B AND PROVIDES FURTHER INFORMATION ON CURRENT ATTITUDES OF GOJ.

2. REF B PARA 1 RISES TWO QUESTIONS OF JUDGMENT AND ONE OF FACT, AS FOLLOWS.

(A) REF B PARAS 1 A AND C RAISE JUDGMENTAL QUESTION OF TRUE GOJ INTENTIONS WITH RESPECT TO UNDERTAKING SIGNIFICANT FINANCIAL SUPPORT OF ABCC, AND SPECIFICALLY REFERS TO PASSAGES ON PAGES 2 AND 5 OF REF A. CONTRARY TO DEPARTMENT' S ASSUMPTION, THESE REFERENCES DO NOT RELATE TO SAME MOMENT IN TIME; PASSAGE ON PAGE 2 REF A DOES INDEED RELATE TO NOVEMBER 29, 1972 MEETING AND JAPANESE TALKING PAPER PRESENTED ON THAT OCCASION; PASSAGE ON PAGE 5 REF A REFLECTS EMBASSY IMPRESSIONS GAINED THROUGH FREQUENT DISCUSSIONS OF ABCC MATTERS WITH FONOFF REPRESENTATIVES, INCLUDING SEVERAL WHICH TOOK PLACE AFTER NOVEMBER 29 MEETING BUT BEFORE JAN 0 WHEN REF A WAS DISPATCHED. IN ANY CASE, EMBASSY HAS IMPRESSION WE WERE NOT ALONE IN THINKING THAT GOJ POSITION EXPRESSED AT NOVEMBER 29 MEETING REPRESENTED CONSIDERABLE ADVANCE OVER POSITION WHICH GOJ HAD TAKEN THROUGHOUT PREVIOUS TWO YEARS. OUR MEMORANDUM RECORD OF MEETING ( COPIES SENT

TO DRS. DUNHAM AND BURR THROUGH EMBASSY SCI COUNSELOR HIATT AND AEC REP HELFRICH) INCLUDED FOLLOWING PASSAGES: IN SECTION SUMMARIZING JAPANESE TALKING PAPER, ONE OF JAPANESE POINTS WAS QTE WHEN JOINT COMMITTEE TO DISCUSS FUTURE OF ABCC IS ESTABLISHED, GOJ WOULD NOT BE REMIS IN SHARING FINANCIAL BURDEN UNQTE. ANOTHER JAPANESE POINT WAS THAT

QTE PROBLEM ON THE PRIVILEGES AND EXEMPTIONS SHOULD BE

CONSIDERED SEPARATELY FROM LARGER PROBLEM OF FUTURE OF ABCC UNQTE. MEMORANDUM THEN RECORDS US RESPONSE TO JAPANESE PRESENTATION A FOLLOWS: QTE DR. DUNHAM, RESPONDING FOR US SIDE, SAID WE WERE VERY PLEASED WITH GOJ RESPONSE TO OUR PROPOSALS. HE THEN COMMENTED AS FOLLOWS ON SPECIFIC POINTS. HE FULLY AGREED WITH CONTINUATION OF ABCC' S PROGRAMS AND CREATION OF JOINT COMMITTEE. WITH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TOKYO 03459 01 OF 02 240621 Z

RESPECT TO LABOR RELATIONS, HE POINTED OUT THAT SOCIAL AND CULTURAL DIFFERENCES MAKE IT DIFFICULT FOR AMERICANS

TO NEGOTIATE WITH JAPANESE LABOR UNIONS, AND THEREFORE WE WOULD HOPE FOR SOME ASSISTANCE IN THIS FIELD FROM JAPANESE SIDE. DR. DUNHAM PARTICULARLY WELCOMED GOJ SUGGESTION OF FURTHER INVOLVEMENT OF JNII LABORATORIES, MINISTRY OF EDUCATION AND SCIENCE AND TECHNOLOGY AGENCY. FINALLY, HE

SAID THAT AT FIRST GLANCE MR. FUKADA'S POINT FOUR ( CONCERNING FINANCIAL ARRANGEMENTS) APPEARED TO BE ACCEPTABLE. IN RESPONSE TO FUKADA'S ADDITIONAL POINTS, DR. DUNHAM (1) EXPRESSED PLEASURE THAT AMBASSADOR HAD TALKED WITH CHIEF CABINET SECRETARY, AND (2) AGREED THAT MATTER OF TAX EXEMPTIONS SHOULD BE TREATED SEPARATELY SO AS NOT TO MUDDY WATERS OF BROADER NEGOTIATION OR GIVE UNDUE WEIGHT TO THIS FACTOR IN DISCUSSIONS OF OVERALL BUDGET QUESTIONS UNQTE.

( B) REF B PARA 1 B PURPORTS TO STATE QTE WHAT DR. DUNHAM ACTUALLY SAID UNQTE AT NOV 29 MEETING CONCERNING SEPARATING NEGOTIATIONS OVER TAX QUESTIONS FROM OVERALL NEGOTIATIONS ON FUTURE OF ABCC. EMBASSY REPS AND ABCC DIRECTOR ALLEN, ALL OF WHOM WERE PRESENT AT MEETING, AGREE THAT FACTS ARE DECIDEDLY AT VARIANCE WITH VERSION CONTAINED REF B. WE AGREE THAT WHAT DR. DUNHAM ACTUALLY

SAID AT MEETING IS ACCURATELY DESCRIBED IN EMBASSY MEMORANDUM QUOTED IN PREVIOUS PARAGRAPH ABOVE. WE ARE CLEAR ON THIS POINT BECAUSE DR. DUNHAM'S STATEMENT AT

MEETING CONSTITUTED EXPLICIT SHIFT IN TACTICS ON PART OF US SIDE. AS INDICATED REF A TOP AND MIDDLE OF PAGE 2, EMBASSY HAD PREVIOUSLY RESISTED DISCUSSION OF ABCC TAX STATUS AS POSSIBLE LEVERAGE FOR EXTRACTING GOJ RESPONSE TO US PROPOSALS ON FUTURE OF ABCC. FACT THAT DUNHAM AGREED AT MEETING TO SEPARATION OF THESE ISSUES PROMPTED DUEMLING TO APPROACH DR. ALLEN AFTER MEETING AND POINT OUT THAT DUNHAM HAD, CONSCIOUSLY OR NOT, UNDERCUT ONE OF THIS POSITION. DR. ALLEN AGREED THIS HAD OCCURRED BUT THOUGHT DUNHAM HAD DONE SO UNINTENTIONALLY. ALLEN SUBSEQUENTLY ASKED DUNHAM TO SEND DUEMLING NOTE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 TOKYO 03459 01 OF 02 240621 Z

REFERRED TO IN REF B PARA 1 B. IMPORTANT POINT TO KEEP IN MIND IS THAT WHAT DUNHAM ACTUALLY SAID AT MEETING

AND WHAT HE WROTE IN NOTE TO DUEMLING WERE DECIDELY DIFFERENT. DAY AFTER MEETING, DUEMLING CONVEYED SUBSTANCE OF DUNHAM'S NOTE TO FONOFF BUT FONOFF APPARENTLY INTERPRETED DUNHAM'S EARLIER VERBAL AGREEMENT AS EVIDENCE OF US WILLINGNESS TO COMPROMISE ON ISSUE.

LIMITED OFFICIAL USE

ADP000

LIMITED OFFICIAL USE

PAGE 01 TOKYO 03459 02 OF 02 250323 Z

63

ACTION AEC-11

INFO OCT-01 EA-11 ADP-00 RSR-01 ACDA-19 CIAE-00 INR-09

IO-12 L-03 NSAE-00 NSC-10 OST-04 RSC-01 SCI-06 GAC-01

COME-00 EB-11 LAB-06 SIL-01 NAS-01 OMB-01 TRSE-00

/109 W

----- 015366

R 231015 Z MAR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2565

LIMITED OFFICIAL USE SECTION 2 OF 2 TOKYO 3459

3. LEGAL STATUS OF ABCC - EMBASSY BELIEVES THAT DEPARTMENT'S AND AEC'S CONCERN FOR FUTURE OF ABCC - WHICH EMBASSY FULLY SHARES - MAY HAVE OBSCURED SITUATION WE FACE IN DEALING WITH GOJ ON LEGAL STATUS QUESTION. IN EFFORT TO GET PRECISE CURRENT READING OF GOJ VIEWS ON BOTH STATUS AND FUTURE FINANCIAL SUPPORT ISSUES, EMBASSY SCIENCE COUNSELOR AND EMBOFF REVIEWED SITUATION MARCH 13 WITH FIRST NORTH AMERICA DIV HEAD FUKADA (WHO LED GOJ SIDE AT NOV 29 MEETING) AND HIS DEPUTY MATSUURA. IN RESPONSE TO OUR QUESTIONS, THEY STATED THAT FINANCE MINISTRY BELIEVES TAX EXEMPTIONS NOW ENJOYED BY ABCC ARE IN CLEAR VIOLATION OF JAPANESE LAW AND MUST BE TERMINATED BY APRIL 1, 1973, AT LATEST (AS ALREADY REPORTED REF A PAGE 4 PARA 2). MOREOVER, FINANCE MINISTRY BELIEVES IT HAS LEGAL AUTHORITY TO TERMINATE THESE EXEMPTIONS UNILATERALLY, EVEN WITHOUT REFERENCE TO DESIRES OR VIEWS OF FOREIGN MINISTRY. FUKADA SAID FOREIGN MINISTRY LEGAL BUREAU IN FACT FULLY AGREES WITH LEGAL POSITION TAKEN BY FINANCE MINISTRY AND GOJ WILL ACT UNILATERALLY IF NECESSARY BY APRIL 1. FUKUDA FURTHER POINTED OUT THAT ABCC WAS CREATED DURING OCCUPATION AND JAPANESE GOVERNMENT WAS NEVER CONSULTED AS TO WHETHER OR NOT IT MIGHT APPROVE. WHEN OCCUPATION ENDED, GOJ PASSIVELY PERMITTED ABCC TO CONTINUE IN EXISTENCE. CURRENT DISCUSSIONS ON FINANCIAL SUPPORT DEVELOPED ESSENTIALLY AT US INITIATIVE AS US

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TOKYO 03459 02 OF 02 250323 Z

SOUGHT GREATER JAPANESE INVOLVEMENT IN AND SUPPORT FOR ABCC. FUCNDA WENT ON TO SAY THAT CLARIFYING LEGAL STATUS OF ABCC WILL ACTUALLY ASSIST PROCESS OF QTE ALLOWING GOJ TO SUPPORT ABCC UNQTE. IN FACT, HE SAID, CLARIFICATION OF LEGAL STATUS IS PREREQUISITE TO PROCEEDING WITH ANY FURTHER DISCUSSION OF JOINT SUPPORT. DEPARTMENT AND AEC WILL RECOGNIZE THAT FUKADA'S STATEMENTS REFLECT VERY

DIFFERENT POINT OF VIEW ON REALITIES OF NEGOTIATING  
SITUATION FROM THOSE CONTAINED REF B.

4. EMBASSY PERCEIVES NO LEGAL BASIS FOR CHALLENGING GOJ  
STATEMENT OF ITS RIGHTS AND AUTHORITY UNDER JAPANESE LAW,  
BUT WOULD OF COURSE WELCOME ANY LEGAL ARGUMENTATION  
ADVANCED BY DEPARTMENT AND AEC. HOWEVER, EVEN IF SUCH ARGUMENTATION  
IS FORTHCOMING, EMBASSY BELIEVES ANY US EFFORTS TO RESIST GOJ WISHES  
ON LEGAL STATUS ISSUE WOULD BE DISTINCTLY PYRRHIC VICTORY. IF US  
DECIDES ON THAT COURSE, EMBASSY PREDICTS NOT ONLY THAT WE WILL  
ULTIMATELY LOSE ON LEGAL STATUS ISSUE, BUT WE WOULD HAVE  
HOPELESSLY COMPROMISED ANY CHANCE FOR ELICITING FORTHCOMING  
GOJ POSITION ON FINANCIAL SUPPORT ISSUE. EMBASSY SUGGESTS  
THAT DEPARTMENT AND AEC SHOULD KEEP IN MIND, IN WEIGHING  
THIS DECISION, THAT JAPANESE ALREADY RECEIVE UNDER EXISTING  
ARRANGEMENTS MOST BENEFITS TO BE DERIVED FROM ABCC'S  
EXISTENCE AND THERE IS THUS LITTLE REASON OTHER THAN GOOD-  
WILL AND MORAL OBLIGATION TO PROMPT GOJ TO UNDERTAKE MAJOR FINANCIAL  
SUPPORT. ON OTHER HAND, AS DEPARTMENT KNOWS, NATURE OF US- JAPAN  
RELATIONSHIP ARGUES FOR COOPERATIVE AND ACCOMMODATING  
SPIRIT WHENEVER POSSIBLE. WE HAVE ALREADY SEEN EVIDENCE  
OF THIS FROM JAPANESE SIDE IN FACT FONOFF HAS BEEN STALLING  
FINMIN FOR ONE YEAR ON OUR BEHALF. ( SEE REF A PAGE 2).

5. ABCC RIGHTS AND PRIVILEGES OTHER THAN TAX EXEMPTION-  
AT MARCH 13 SESSION, EMBOFFS ALSO PROBED CAUTIOUSLY ON GOJ  
ATTITUDES TOWARD SUCH OTHER RIGHTS AND PRIVILEGES CURRENTLY  
ENJOYED BY ABCC AS ACCESS TO MILITARY COMMISSARIES AND  
MEDICAL FACILITIES, FLEET POST OFFICE, ETC. MATSUURA  
INDICATED THAT FONOFF HAS NO INTEREST OR DESIRE IN  
CHALLENGING THESE RIGHTS AND PRIVILEGES AND WOULD TAKE  
VIEW OF LETTING SLEEPING DOGS LIE. AS INDICATED IN REF A,  
FONOFF HAS BEEN SPURRED TO ACTION ON LEGAL STATUS QUESTION  
BY CRITICISM IN DIET, AND EMBOFFS INFERRED FROM MATSUURA'S  
REMARKS THAT FONOFF WOULD ONLY RAISE QUESTIONS ABOUT  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TOKYO 03459 02 OF 02 250323 Z

OTHER RIGHTS AND PRIVILEGES IF DIET INTERPELLATIONS SO  
REQUIRED. IN THIS CONNECTION, EMBASSY WISHES TO CALL  
ATTENTION TO FACT THAT PROPOSED GOJ NOTE ( REF A ENCL 2)  
WOULD CONTINUE TO RECOGNIZE ABCC AS AGENCY OF USG.  
QUESTION OF SUPPORT NOW PROVIDED BY US FORCES JAPAN TO  
ABCC ( MILITARY COMMISSARIES, MEDICAL FACILITIES, FLEET  
POST OFFICE, ETC.), THEREFORE, IS ESSENTIALLY INTERNAL USG  
MATTER. SOFA WOULD ALLOW US FORCES JAPAN TO MAKE SUCH  
FACILITIES DIRECTLY AVAILABLE TO ABCC PERSONNEL.

6. WE NOTE THAT WHEREAS REF A SOUGHT DEPARTMENT'S OPINION  
ON LEGAL ASPECTS OF CHANGE IN STATUS ISSUE, REF B FOCUSED  
EXCLUSIVELY ON NEGOTIATING TACTICS FOR GAINING GOJ FINANCIAL

SUPPORT OF ABCC. HOPEFULLY THIS MESSAGE HAS FURTHER  
ILLUMINATED REAL PROBLEMS EMBASSY FACES IN DEALING WITH GOJ  
ON BOTH LEGAL STATUS AND FUTURE OF ABCC ( AS INITIALLY SET  
FORTH REF A) AND HAS EXPLAINED WHY, IN EMBASSY' S VIEW, COURSE  
OF ACTION SET FORTH REF B PARA 2 IS NOT VIABLE OPTION. AT  
SAME TIME, EMBASSY WISHES TO MAKE CLEAR THAT NOTHING  
CONTAINED IN THIS MESSAGE SHOULD BE CONSTRUED AS INDICATING  
THAT EMBASSY BELIEVES GOJ IS DEFINITELY COMMITTED TO SIGNIF-  
ICANT FINANCIAL SUPPORT OF ABCC. RATHER, EMBASSY POSITION IS  
THAT ONLY HOPE OF GAINING SUCH SUPPORT WOULD BE BY PLAYING  
BALL WITH GOJ ON LEGAL STATUS ISSUE.

7. STATE 45090 CONCERNING MEETING OF US AND GOJ REPS TO  
DISCUSS FUTURE OF ABCC IS SUBJECT OF SEPTTEL. DECON 1/1/75  
INGERSOLL

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 02 APR 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 MAR 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** elyme  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973TOKYO003459  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
**Film Number:** n/a  
**From:** TOKYO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730346/abqcdxrxj.tel  
**Line Count:** 288  
**Locator:** TEXT ON-LINE  
**Office:** n/a  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** ( A ) TOKYO A-85 ( B ) STATE 44010  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** elyme  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 NOV 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05-Nov-2001 by willialc>; APPROVED <21-Nov-2001 by elyme>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CURTAILMENT OF JAPANESE TAX EMEMPTION STATUS OF ABCC  
**TAGS:** TECH, TBIO, PFOR, JA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005